

FISCAL NOTE

Bill #: SB0334

Title: Tax cigarette papers

Primary Sponsor: Smith, F

Status: Second Reading

Sponsor signature

Date

David Ewer, Budget Director

Date

Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$0	\$0
Revenue:		
General Fund	\$59,414	\$59,414
Net Impact on General Fund Balance:	\$59,414	\$59,414

- | | |
|---|--|
| <input type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

Department of Revenue

1. The proposal provides for a tax on the consumption of cigarette rolling papers. The bill is effective on passage and approval, and applies to cigarette rolling papers in the possession of wholesalers on July 1, 2005 (FY 2006).
2. The tax on cigarette rolling papers is 50% of the wholesale price. This is the same tax as levied on "other tobacco products".
3. Based on industry information, there are approximately 195 cases of cigarette rolling papers sold in Montana each year. Each case contains 25 cartons of rolling papers with a wholesale price of \$25.00 per carton.
4. Total estimated wholesale revenue from the sale of cigarette rolling papers is \$121,875 (195 cases x 25 cartons per case x \$25.00). Under the proposal, the estimated tax on these wholesale transactions is \$60,938 (\$121,875 X 50%).
5. Wholesalers are entitled to retain 2.5%, or \$1,523 (\$60,938 x 2.5%) of the tax for administrative expenses.
6. The total estimated revenue deposited to the state general fund is \$59,414 (\$60,938 – \$1,523) per year.
7. Any increase in the administrative costs for enacting this bill can be absorbed in the Department of Revenue's current budget.

Fiscal Note Request SB0334, Second Reading
(continued)

FISCAL IMPACT:

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
<u>Revenues:</u>		
General Fund (01)	\$59,414	\$59,414
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	\$59,414	\$59,414